

Inspector General

United States
Department of Defense



American Recovery and Reinvestment Act
Projects—Repairs to the Reserve Training
Center and Construction of a Vehicle
Maintenance Facility at Wilmington,
Delaware, Met Recovery Act Goals

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Acronyms and Abbreviations

FAR	Federal Acquisition Regulation
IPT	Integrated Product Team
MARFORRES	Marine Forces Reserve
MCRC	Marine Corps Reserve Center
NAVFAC	Naval Facilities Engineering Command
NOSC	Navy Operational Support Center
OMB	Office of Management and Budget
PWD	Public Works Department
QMAD	Quantitative Methods and Analysis Division
VMF	Vehicle Maintenance Facility



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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SEP 10 2010

MEMORANDUM FOR NAVAL INSPECTOR GENERAL
COMMANDING OFFICER, NAVAL FACILITIES
ENGINEERING COMMAND MID-ATLANTIC

SUBJECT: American Recovery and Reinvestment Act Projects—Repairs to the Reserve Training Center and Construction of a Vehicle Maintenance Facility at Wilmington, Delaware, Met Recovery Act Goals (Memorandum No. D-2010-RAM-020)

We are providing this report for your information and use. We performed this audit in response to the requirements of Public Law 111-5, "American Recovery and Reinvestment Act of 2009" (Recovery Act), February 17, 2009. We determined that Projects RM146-09 and RM145-09 were justified and met the Recovery Act goals regarding accountability and transparency. We considered management comments on a discussion draft of this report in preparing the final report. No additional comments are required.

We appreciate the courtesies extended to the staff. Please direct questions to Mr. Timothy Wimette at (703) 604-8876 (DSN 664-8876).

A handwritten signature in cursive script, reading "Alice F. Carey", is positioned above the printed name.

Alice F. Carey
Assistant Inspector General
Readiness, Operations, and Support



Results in Brief: American Recovery and Reinvestment Act Projects—Repairs to the Reserve Training Center and Construction of a Vehicle Maintenance Facility at Wilmington, Delaware, Met Recovery Act Goals

What We Did

Our overall objective was to evaluate DOD's implementation of Public Law 111-5, "American Recovery and Reinvestment Act of 2009," (Recovery Act), February 17, 2009. Specifically, we determined whether Navy and Marine Corps personnel adequately planned, funded, executed, tracked, and reported Projects RM146-09 and RM145-09, for repairs to the Navy Operational Support Center/Marine Corps Reserve Center (NOSC/MCRC) and the construction of a Vehicle Maintenance Facility at Wilmington, Delaware, to ensure the appropriate use of Recovery Act funds.

What We Found

We determined that Projects RM146-09 and RM145-09 were justified and met the Recovery Act goals regarding accountability and transparency. Navy and Marine Corps personnel planned, funded, executed, and had procedures in place to track and report the projects as required by the Recovery Act and implementation guidance.

Although project planning documentation did not contain a complete economic analysis and the contract initially omitted a required Federal Acquisition Regulation clause, after we identified these issues, Navy personnel subsequently developed a complete economic analysis and issued a contract modification to include the clause.

What We Recommend

This report contains no recommendations.

Management Comments

The Deputy Assistant Operations Officer, Naval Facilities Engineering Command (NAVFAC) Mid-Atlantic Public Works Department, had no comments on the discussion draft report and agreed with our results and conclusions. We do not require any formal comments.



**Damaged Floor Tile at NOSC/MCRC
Wilmington, Delaware**



**Worn Finishes and No Fire Sprinklers
at NOSC/MCRC Wilmington, Delaware**

Photos courtesy of NAVFAC Mid-Atlantic
Northeast Integrated Product Team

Introduction

Objective

Our overall objective was to evaluate DOD's implementation of Public Law 111-5, "American Recovery and Reinvestment Act of 2009" (Recovery Act), February 17, 2009. We reviewed the implementation of the DOD Recovery Act plans at the Service and installation levels to determine whether Navy personnel managed individual projects to achieve the accountability and transparency goals of the Recovery Act. Specifically, we determined whether personnel at Navy Facilities Engineering Command (NAVFAC) Mid-Atlantic Integrated Product Team (the IPT), NAVFAC Mid-Atlantic Public Works Department at Philadelphia, Pennsylvania (the PWD), Marine Forces Reserve Command (MARFORRES), and the Navy Operational Support Center/Marine Corps Reserve Center (NOSC/MCRC) in Wilmington, Delaware, adequately planned, funded, executed, and tracked and reported Projects RM146-09 and RM145-09 for repairs to the NOSC/MCRC and construction of a Vehicle Maintenance Facility (VMF) at Wilmington, Delaware, to ensure the appropriate use of Recovery Act funds. See the appendix for a discussion of the audit scope and methodology related to the audit objective.

Background

In passing the Recovery Act, Congress provided supplemental appropriations to preserve and create jobs; promote economic recovery; assist those most impacted by the recession; provide investments to increase economic efficiency by spurring technological advances in science and health; and invest in transportation, environmental protection, and other infrastructure. The Recovery Act also established unprecedented efforts to ensure the responsible distribution of funds for its purposes and to provide transparency and accountability of expenditures by informing the public of how, when, and where tax dollars were being spent. Further, the Recovery Act states that the President and heads of the Federal departments and agencies were to expend these funds as quickly as possible, consistent with prudent management.

DOD received approximately \$6.8 billion¹ in Recovery Act funds to use for projects that support the Act's purposes. In March 2009, DOD released expenditure plans for the Recovery Act, which list DOD projects that will receive Recovery Act funds. The Department of the Navy received \$1.928 billion in Recovery Act funds for Operations and Maintenance; Military Construction; and Research, Development, Test and Evaluation. Table 1 provides specific funds allocated to each appropriation.

¹ The \$6.8 billion does not include \$4.6 billion for the U.S. Army Corps of Engineers or \$555 million for the Homeowners Assistance Fund.

Table 1. Recovery Act Appropriations for Department of the Navy Projects

Appropriations	Amount (millions)
Operations and Maintenance	\$916
Military Construction	937
Research, Development, Test and Evaluation	75
Total	\$1,928

Of the \$1.928 billion appropriated, the Marine Corps Reserve allocated approximately \$6.63 million (Operations and Maintenance)² to support Projects RM146-09 and RM145-09 for the repair of the NOSC/MCRC and the construction of the VMF³ at Wilmington, Delaware, respectively. Project RM146-09 consists of installation of a new sprinkler system, removal and replacement of interior building components and exterior windows, and reconfiguration of interior walls to comply with accessibility requirements. Project RM145-09 will construct a new VMF.

The Navy owns the NOSC/MCRC training facility and leases space to the Marine Corps. However, the Navy will move to a new building and will transfer the NOSC/MCRC to the Marine Corps. MCRCs provide training for units and qualified individuals preparing for active duty in time of war, national emergency, or contingency operations. Specifically, the Marine Corps unit at Wilmington, Delaware, is a bulk fuel unit that trains for humanitarian or wartime missions. Both the Navy and Marine Corps employ a permanent administrative staff at the NOSC/MCRC. The Navy's primary use of the building is monthly training, most of which is computer-based. The Marine Corps unit will use the new VMF to store three tactical vehicles and perform vehicle maintenance.

² The \$6.63 million does not include \$32,538 for a contract modification for temporary phone service during Phase I of construction.

³ Because the cost of VMF construction was less than \$750,000, it was acceptable for the Marine Corps Reserve to use Operations and Maintenance funding.

Projects at Wilmington NOSC/MCRC Met Recovery Act Goals

We determined that Projects RM146-09 and RM145-09 were justified and met the goals of accountability and transparency as provided in the Recovery Act. However, project planning documentation did not initially contain a complete economic analysis and the contract initially omitted one Federal Acquisition Regulation (FAR) clause required by Recovery Act implementation guidance. After we identified these issues, PWD personnel developed a complete economic analysis and modified the contract to include the omitted clause. MARFORRES personnel properly distributed Recovery Act funds to the projects, and PWD personnel had procedures in place to track and report the projects as required by the Recovery Act.

NOSC Repairs and VMF Construction Were Justified

We determined that Projects RM146-09 and RM145-09 were justified. According to planning documents, the NOSC/MCRC was built in 1959 and does not meet life safety, antiterrorism/force protection, accessibility, and energy codes. Without repairs, the facility will waste valuable energy, and inhabitants may be at greater risk of fire and terrorist attacks. Planning documents state that the current VMF does not provide adequate space or facilities to perform required maintenance of tactical vehicles, office space, or storage space. Construction of a new VMF will allow renovation of space in the NOSC/MCRC needed for other mission functions, such as permanent administrative staff space.

During the planning phase, IPT personnel did not prepare an economic analysis to support the justification for repairing the NOSC/MCRC and constructing a new VMF. However, after we identified this issue, PWD personnel completed an economic analysis. An economic analysis is a systematic approach to identify, analyze, and compare the costs and benefits of alternative courses of action to achieve a given set of objectives. An economic analysis provides decision-makers with reasonable assurance that scarce DOD appropriations are being used wisely and mitigates the risk of potential waste and abuse.

Although the DD Forms 1391 for Projects RM146-09 and RM145-09 contained basic economic analyses that discussed project alternatives, they did not include the costs associated with those alternatives. Navy policy requires a formal life-cycle economic analysis for repair projects with an estimated cost greater than \$2 million. After we identified this issue, PWD personnel completed a formal economic analysis for the projects. The economic analysis considered the following options: status quo, repairs to the NOSC/MCRC and construction of a new VMF, construction of a new NOSC/MCRC, and leasing a NOSC/MCRC and VMF. The economic analysis showed that repairing the NOSC/MCRC and constructing a new VMF was the most cost-effective method to fulfill mission requirements with minimal interruptions.

IPT personnel contracted with Oak Point Associates to develop cost estimates for the projects. Oak Point Associates developed detailed cost estimates, including the independent Government estimate, for the projects in a timely manner. The independent Government estimate on May 6, 2009, valued the cost to complete both projects at approximately \$6.6 million.

Funding Properly Distributed to Recovery Act Projects

MARFORRES personnel distributed approximately \$6.63 million in Recovery Act funds⁴ to the projects in a timely manner and the funding documents properly identified a Recovery Act designation. The IPT awarded the contract for \$957,000 less than estimated in DOD's expenditure plan for Recovery Act projects. Marine Corps personnel used bid savings from the projects to fund additional Recovery Act projects, in accordance with January 2010 guidance from the Office of the Under Secretary of Defense (Installations and Environment) and the Office of the Under Secretary of Defense (Comptroller).

Funding documents showed that MARFORRES personnel transferred \$6.55 million in Recovery Act funds to NAVFAC on September 9, 2009, and the IPT awarded the contract on September 21, 2009. Subsequently, to account for additional justified requirements, MARFORRES personnel distributed \$82,409 in additional Recovery Act funds to the projects on February 8, 2010, and PWD personnel issued a contract modification on April 14, 2010.

Initial Project Execution Met Recovery Act Requirements

IPT and PWD officials adequately performed initial execution of the projects. In our evaluation of initial execution, we determined whether IPT personnel competitively solicited and awarded the contract, with full transparency, and whether it contained the FAR clauses required by Recovery Act implementation guidance.

IPT personnel awarded the contract competitively at a firm-fixed price of \$6.55 million in September 2009, 3 months earlier than the milestone set by DOD's expenditure plan for the Recovery Act. IPT personnel issued the solicitation competitively as a small business set-aside. Four companies responded and Curtis Contracting, Inc. won the contract by submitting a proposal that represented the best value to the Government, price and other factors considered. Specifically, when analyzing the best value tradeoff and determining the most advantageous proposal, IPT personnel evaluated factors such as corporate experience, past performance, safety, and construction schedule. At the time of our review, Curtis Contracting, Inc. was a certified small business and registered on the Central Contractor Registration Web site. In addition, the Excluded Parties List System did not show Curtis Contracting, Inc. as a debarred contractor.

⁴ In addition to the \$6.63 million in Recovery Act funds, MARFORRES personnel also distributed \$32,538 in non-Recovery Act funds to the projects to account for additional justified requirements. MARFORRES personnel stated that Recovery Act funds were not available because they were used for other projects.

Contracting personnel properly recorded contract actions to facilitate full transparency. Office of Management and Budget (OMB) Memorandum M-09-15, “Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” April 3, 2009, describes requirements for reporting Recovery Act-funded actions in the Federal Procurement Data System and publicizing actions on Federal Business Opportunities. Contracting personnel properly reported the contract award in the Federal Procurement Data System and announced the solicitation and award on the Federal Business Opportunities Web site.

The contract originally omitted one FAR clause. However, PWD personnel subsequently modified the contract to include this clause. IPT contracting personnel incorporated most of the FAR clauses required by the Recovery Act, including those for whistleblower protection, reporting, the Davis-Bacon Act, and the Buy American Act. However, we identified one missing contract clause required by FAR Part 23, “Environment, Energy, and Water Efficiency, Renewable Energy Technologies, Occupational Safety, and Drug-free Workplace.” FAR part 23 prescribes policies and procedures for protecting and improving the quality of the environment.

According to OMB Memorandum M-09-15, agencies must comply with the requirements of FAR part 23 when acquiring supplies and services⁵ using Recovery Act funds. The contract omitted the clause FAR 52.223-15, “Energy Efficiency in Energy-Consuming Products.” Without this clause, Navy officials could not hold contractors accountable for all Recovery Act requirements, and the projects’ completion might not contribute to the environment’s protection and improvement. After we identified this issue, PWD personnel modified the contract to include the missing clause.

Procedures in Place to Track and Report Projects

Although repairs to the NOSC/MCRC and construction of the VMF at Wilmington, Delaware, had not started at the time of our review, PWD personnel had adequate procedures in place to track and report the projects. An engineering technician and a construction manager from the PWD will monitor project schedules, address nonconformance, and ensure the contractor meets contract requirements.

In addition, PWD contracting personnel reviewed the contractor’s information to verify the contractor reported required Recovery Act information. FAR clause 52.204-11, “American Recovery and Reinvestment Act – Reporting Requirements,” requires contractors for Recovery Act projects to report project information at <http://www.federalreporting.gov>. Curtis Contracting, Inc. submitted quarterly reports that included total project dollar value, project status, jobs created, and sub-contract awards.

⁵ According to the definition of an acquisition in FAR Subpart 2.101, construction is a service.

Conclusion

We concluded that Projects RM146-09 and RM145-09 for repairs to the NOSC/MCRC and the construction of a VMF, respectively, were justified. Although project planning documentation did not initially contain a complete economic analysis and the contract initially omitted one FAR clause required by Recovery Act implementation guidance, PWD personnel subsequently developed a complete economic analysis and modified the contract to include this clause. In addition, MARFORRES personnel properly distributed Recovery Act funds to the projects, and PWD personnel had procedures in place to track and report the projects as required by the Recovery Act and implementation guidance. Therefore, this report contains no recommendations.

Appendix. Scope and Methodology

We conducted this performance audit from February 2010 through September 2010. We interviewed personnel from the IPT, the PWD, NOSC/MCRC and MARFORRES. We reviewed documentation including the official contract file, DD Forms 1391, economic analyses, and cost estimates. We reviewed processes for tracking and reporting Recovery Act projects. We reviewed Federal, DOD, and Navy guidance, and compared this guidance with our audit results.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Use of Computer-Processed Data

We used computer-processed data from the Federal Procurement Data System, Central Contractor Registration, Excluded Parties List System, Federal Business Opportunities, <http://www.federalreporting.gov>, and other systems. However, our use of computer-processed data did not materially support our audit results, findings, or conclusions, and the information we used was obtained from sources generally recognized as appropriate. Therefore, we did not evaluate the reliability of the computer-processed data we used.

Use of Technical Assistance

Before selecting DOD Recovery Act projects for audit, personnel in the Quantitative Methods and Analysis Division (QMAD) of the DOD Office of Inspector General analyzed all DOD agency-funded projects, locations, and contracting oversight organizations to assess the risk of waste, fraud, and abuse associated with each. QMAD personnel selected most audit projects and locations using a modified Delphi technique, which allowed them to quantify the risk based on expert auditor judgment and other quantitatively developed risk indicators. While QMAD personnel selected 83 projects with the highest risk rankings, auditors judgmentally selected Projects RM146-09 and RM145-09.

QMAD personnel did not use classical statistical sampling techniques that would permit generalizing results to the total population because there were too many potential variables with unknown parameters at the beginning of this analysis. The predictive analytic techniques employed provided a basis for logical coverage not only of Recovery Act dollars being expended, but also of types of projects and types of locations across the Military Services, Defense agencies, National Guard units, and public works projects managed by the U.S. Army Corps of Engineers.

Prior Audit Coverage

The Government Accountability Office, the Department of Defense Inspector General, and the Military Departments have issued reports and memoranda discussing DOD projects funded by the Recovery Act. You can access unrestricted reports at <http://www.recovery.gov/accountability>.



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